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COMPUTING



New Compaq PCs: Two for one?

By **Joe Wilcox**
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Compaq Computer may soon offer PC buyers a tempting option: two for the price of one.

Hoping to corral buyers who can't decide whether to buy a notebook or desktop PC, the Houston-based computer maker is experimenting with a line of business notebooks that transform into desktop PCs.

Compaq is showing seven mockup models of the transformable PC to members of the press and potential customers. The PC is designed to fold over and create a stand for a 15-inch, flat-panel display with removable wireless keyboard and mouse.

Although the company has not decided whether to commercially produce the systems, it's clear the PC maker is experimenting with eye-catching designs intended to boost sales.

"What Compaq is trying to do here is take computing to a level beyond PCs more in line with their 'access anywhere' philosophy," said [IDC](#) analyst Roger Kay.

The concept PCs are part of a renewed development effort at Compaq, which is trying to return to its pioneering roots. The company launched in 1982 by bringing the first IBM-compatible portable computer to market.

When Michael Capellas became Compaq CEO he said he wanted "to develop cool products," said Christian Landry, who heads Compaq's design division.

That mandate helped the company bring out iPaq--its svelte PC and Internet access device--in just 100 days instead of the more typical 18 months of development. Its sibling, the iPaq handheld, is so popular Compaq had to increase manufacturing to 100,000 units a month from the expected 5,000 units.

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But not all of Compaq's design experiments have been successful. The company in July 2000 pulled its stylish Presario 3500 from most markets—except Japan. The consumer model was the first "cool concept" PC introduced after Capellas' declaration.

Where Compaq hopes to go next will test the limits of a painful reorganization that is far from complete. In March, the computer manufacturer combined its commercial and consumer PC operations into a single organization: the Business Access Group.

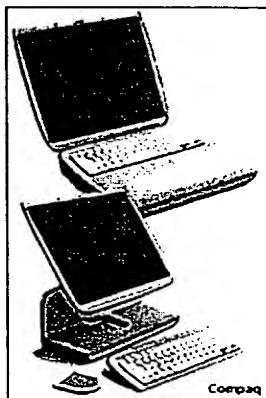
Along the way, Compaq announced more than 7,000 layoffs as it consolidated manufacturing and other operations and—partly due to slow PC sales industrywide—took a revenue hit in the second quarter. The Business Access Group, which accounted for 48 percent of Compaq's revenue in the quarter, lost \$82 million on \$4.4 billion in sales.

The concept of "tweener"

New products in development focus on a concept Landry calls "tweener." As work and home computing converge, people need products that fit more comfortably in both worlds, he said.

"The problem is that people are comfortable with desktop computing, but they want to go mobile with the same applications," Landry explained. More to the point: They want to take the same computing experience with them. For workers on the road or those who take a portable home, the switch between desktop and notebook display and keyboard types can be clumsy and frustrating.

Landry described the transformable, or convertible, portables as "concept devices," likening them to next year's model that one might see on display at car shows. While Compaq is experimenting with different case designs and styling, the approach is the same for all the mockups.



Compaq's convertible desktop/portable PC prototype

At first look, the computer is a typical notebook with a 15-inch display, but the keyboard and mouse pad are both removable and connect to the main system using Bluetooth wireless technology. The notebook sports several hidden hinges that allow the unit to fold over into a stand supporting the display. In just a few seconds, the notebook converts into a desktop PC, meaning people can use the same system at work, at home or on the road.

Landry stretched back in a chair with the wireless keyboard on his lap to show the comfort options the notebook design offers. "We're really putting the pedal to the metal around innovation," he said.

"Compaq is going down the path of looking at product designs that help further the trend of convergence between portables and desktops and consumer and commercial users," said Technology Business Research analyst Lindy Lesperance.

How many, if any, of these designs Compaq will bring to market is uncertain. The company has opened its design labs to customers to get a feel for which models they like and get a sense how much they would be willing to pay for the flexibility.

"All of these concepts are technologically possible to build today," said Ken Willett, product management vice president of Compaq's commercial computing operation. "It all comes down to cost. What it cost us to make it and what customers are willing to pay for it."

Lesperance believes customers will pay if Compaq can convey the value of the two-for-one concept. "There's a lot of functionality and it has to (show) the customer the price savings they will get," she explained. "Now they don't have to buy a monitor, keyboard and docking station

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for their portables."

The deal with Microsoft's Tablet PC

One product Compaq's design team will deliver next year is the Tablet PC that Microsoft Chairman Bill Gates introduced at last year's Comdex. Compaq and Microsoft are co-developing the product, which will run a version of the forthcoming Windows XP operating system.

People can write on the screen with a stylus or pull out a keyboard tucked inside the tablet.

The "pen computing" concept, first introduced in the early 1990s, was a huge flop. But Compaq and Microsoft see a more receptive market this time around.

"We don't expect the migration to pen computing to be instantaneous," Compaq's Landry said. But the company sees pen computing systems being adopted in places like hospitals and schools. "In fact, we developed this in conjunction with education," he added.

One common complaint Compaq hears from teachers is that students make less eye contact with teachers when typing on a notebook computer at their desks. A pen-based computer would offer the same computing power in a less distracting format for taking notes.

Compaq would not discuss pricing or availability of the product, but during last year's Comdex Microsoft forecast delivery by summer 2002. The tablet will use wireless technology, most likely 802.11B, to connect to local area networks or the Internet, Compaq disclosed.

Whether convertible notebooks or pen-based tablets, Compaq's design goals are singular, Landry said.

"There is clearly a need for deconstruction in desktops," he explained. "We want to transform the object into something it wasn't meant to be, to improve your work style."



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